shift toward restraint. Wholesale prices actually declined in November, consumer prices are edging up only modestly and unit labor costs, which ultimately determine the long-run behavior of both, are rising at their slowest rate since the mid-1960s. While the central bank remains convinced that it must play the decisive public policy role in combating inflation, recent and even prospective price trends hardly seem inconsistent with Fed Chairman Paul Volcker's desire for "a trend toward greater price stability."

. . . For Monetary Policy

What is more, the recent trend in money growth should help curb inflation expectations in the new year—a seemingly better bet than the belief that it will soon produce another recession. Over the past three months, M1, for example, has expanded at one of its slowest quarterly growth rates since mid-1982—by just about 3½ percent. This has placed this aggregate's year-to-date growth only $2 billion above its lower growth target boundary and more than $10 billion below its upper growth target (see chart on page 1).

In fact, the deceleration in M1 growth during the past three months has been so pronounced that this money measure could have expanded at an annual rate more than three times its actual growth rate

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 12/28/83	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	160.143	– 2.272	+13.221
Loans to Depository Inst.	.757	– .302	+ .067
Float	3.621	+ 1.937	+ .231
Total Reserve Bank Credit	173.007	– .453	+11.599
Treasury Deposits with Federal Reserve Banks	3.729	– .379	+ .401
Currency Outside Banks	151.528	+ .611	+12.691
Member Bank Reserves:			
Required	38.540	– .209	– 2.703
Excess (Deficiency)	.500	– .196	– .263
Total Reserves Held	39.040	– .405	– 2.966
Net Borrowed Reserves	.139	– .123	+ .447
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	112.846	– 1.051	+ 6.704
Monetary Aggregates†		**% Change Since Three Months Ago***	**% Change Since Year Ago**
M1	521.5	+ 3.3‡	+ 8.9‡
M2 (November '83)	2,175.6	+ 7.2	+ 11.9
M3 (November '83)	2,587.0	+ 9.3	+ 9.1
Domestic Nonfinancial Debt (3rd Q'83)	5,072.0	+ 11.2	+ 10.4

†Seasonally adjusted. * Seasonally adjusted annual rate. ‡ Four-week moving average.

New York Money Market

Offering Rates 1/6/84	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	8.85%	9.05%	9.10%
* Federal Agencies	9.15	9.50	10.00
* Project Notes–Taxfree (46% Taxable Equivalent)	9.63	10.09	10.93
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market–Prime	9.50	9.67	10.13

‡Finance Company Paper–Prime		‡* Bankers' Acceptances	
5- 14 days	9.30%	Feb.	9.30%
15- 29 days	9.30	Mar.	9.30
30- 59 days	9.30	Apr.	9.25
60- 89 days	9.25	May	9.25
90-179 days	9.20	Jun.	9.25
180-239 days	9.05	Jul.	9.20
240-270 days	9.05		

‡Industrial Paper–Prime			
30- 89 days	9.25%	†Federal Funds Effective Rate	9.40%
90-120 days	9.25		

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	3rd Q'83	$ 3,362	$ 3,272	$ 3,091
Gross National Product (1972 Dollars)*	3rd Q'83	$ 1,553	$ 1,525	$ 1,486
Percent Change, Annual Rate	3rd Q'83	7.6	9.7	– 1.0
Change in Consumer Prices (new series)*	Nov '83	3.6%	4.8%	0.0%
Change in Producer Prices*	Nov '83	– 2.4%	3.6%	7.2%
Civilian Employment (Thousands of Persons)†	Dec '83n	102,941	102,606r	99,093
Unemployment as % of Civilian Labor Force†	Dec '83n	8.2%	8.4%	10.8%
Personal Income*	Nov '83	$ 2,832	$ 2,812	$ 2,633
Leading Indicators Composite Index (1967=100)†	Nov '83n	161.8	162.4r	139.4
Industrial Production Index (1967=100) †	Nov '83	156.3	155.1	134.9
Net Change in Consumer Installment Credit †	Oct '83	$ 4.89	$ 2.38	–$ 0.13
U.S. Merchandise Trade Balance †	Nov '83n	–$ 7.40	–$ 8.97	–$ 3.89
Plant and Equipment Expenditures*	1st Q'84	$323.07(a)	$321.60(a)	$293.03
Private Housing Starts (Thousands of Units)*	Nov '83	1,756	1,650	1,361
New Construction Expenditures*	Nov '83n	$ 271.9	$ 271.9r	$ 243.7
Total Business Inventories †	Oct '83	$ 516.1	$ 513.9	$ 519.8
Total Business Sales †	Oct '83	$ 382.1	$ 380.6	$ 336.9

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

and still have remained within its 1983 target ranges! So, too, the year-to-date growth rates of M2 and M3 are within their respective growth targets. M2 is located at about the midpoint of its 1983 target range, and M3 is at the top of its target boundaries. Thus, the behavior of the Fed's money supply numbers warrants no move toward restraint—and, indeed, suggests the opposite, when you consider M1 trends alone.

With the pace of business activity slowing, inflation rates still modest and the behavior of the money supply presenting little challenge to the Fed, there are few signs on the horizon to suggest the likelihood of a major change in monetary policy—and a resulting, Fed-inspired swing in interest rates. All of these factors signal the need for neither additional restraint nor ease, but rather a steady policy posture.

Not even Washington's ongoing profligacy will be able to unduly disrupt the prevailing pattern of rates—at least over the near term. For now, despite the fact that one can usually find references on an almost daily basis to presumed tightenings and easings by the Fed, the bottom line is still that the central bank must, and should, feel fairly satisfied with today's business, inflation rate and money supply developments. So far, they have presided over a robust, non-inflationary recovery. With this achievement behind them, why change now? H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (12/21/83)	89,923	+ 549	–44,962
New York City (12/21/83)	18,522	– 351	–18,054
Commercial Paper (12/21/83)	182,638	– 1,128	+12,584

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/21/83)	219,652	+ 1,508	+ 2,372
New York City (12/21/83)	57,968	– 145	– 3,035

Total Loans Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/21/83)	530,065	+ 3,447	+20,603
New York City (12/21/83)	122,478	+ 1,527	+ 367

Financial Markets

	Friday 1/6/84	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	9.10%	– .20	+ 1.05
180-Day Bills†	9.50	– .25	+ 1.28
Longest Bills†	9.85	– .20	+ 1.35
Recent Issues:			
10⅞s 12/31/85	10.65	– .18	
11¼s 12/31/87	11.20	– .17	
11¾s 11/15/93	11.70	– .08	
12s 8/15/13	11.75	– .08	
Municipals:			
Bond Buyer–20 Bond Index* (1/5/84)	9.66%	– .10	+ .18
Blue List Total ($ Million)	$1,106	– $205	+ $ 140
30-Day Visible Supply ($ Million)	$2,477	+ $220	+ $1,045
Total	$3,583	+ $ 15	+ $1,185
Corporates:			
Moody's Aa Composite (1/5/84)	12.77%	+ .01	+ .39
30-Day Visible Supply ($ Million)	$1,020	– $710	+ $ 443
Stocks:			
Dow-Jones Averages:			
Industrials	1,286.75	+ 28.11	+ 210.68
Transportation	611.79	+ 13.20	+ 151.42
Utilities	134.83	+ 2.99	+ 10.34
65 Stocks	514.04	+ 11.10	+ 92.77
Standard and Poor's 500 Stocks	169.28	+ 4.35	+ 24.10
N.Y.S.E. Composite Index	97.71	+ 2.53	+ 14.04
N.Y.S.E. Avg. Daily Vol. for Week (000's)	120,633	+43,668	+ 23,061

* 46% Taxable equivalent 17.89%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 1/6/84	Week Ago
Overnight	9.44%	9.69%
1 month	9.56	9.69
3 month	9.81	9.82
6 month	10.00	10.07
1 year	10.38	10.32
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	11.55%	11.60%
Long Term (7 to 15 yrs.)	11.70	11.75

FOREIGN EXCHANGE SPOT RATES

New York Opening (1/6/84)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.01749	57.18
Canada	.7997	1.2504
Denmark	.09917	10.0840
France	.1168	8.5645
Germany	.3561	2.8085
Italy	.0005881	1700.50
Japan	.004294	232.87
Mexico	.005952	168.00
Netherlands	.3176	3.1487
Switzerland	.4469	2.2378
U.K.	1.4072	.7106

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